

KENTUCKY ECONOMIC INDICATORS

November 2006 as of January 30, 2007

KY Composite Index of Leading Indicators increased 0.8 percent in November.

- The Leading Index increased for the fifth time in 2006.
- The Leading Index decreased by 0.5 percent over the same month last year.
- Component indicators leaned positive, 3:2.
 - + KY Labor Intensity Index increased 0.9 percent.
 - KY Index of Initial UI Claims decreased by 6.8 percent.
 - + US Retail Sales increased by 7.1 percent.
 - US Manufacturer's New Orders Index decreased 5.4 percent.
 - + Louisville Help Wanted Index increased 2 points to 38.

Component weights for November are 61.7, 17.3, 12.5, 6.5 and 2.0 respectively.

KY Composite Index of Coincident Indicators increased 0.9 percent in November.

- The Coincident Index is positive for the ninth time this year.
- Same-month-last-year growth is positive for the fortieth consecutive month at 2.0 percent.
- Component indicators leaned positive, 2:1.
 - + KY Nonagricultural Employment increased 0.5 percent.
 - US Industrial Production Index decreased 0.6 percent.
 - + US Personal Income Less Transfers increased 4.3 percent.

Component weights for November are 40.4, 25.0 and 21.1 respectively. Component weights do not sum to one because the two US components were discounted to give the Kentucky component more weight.

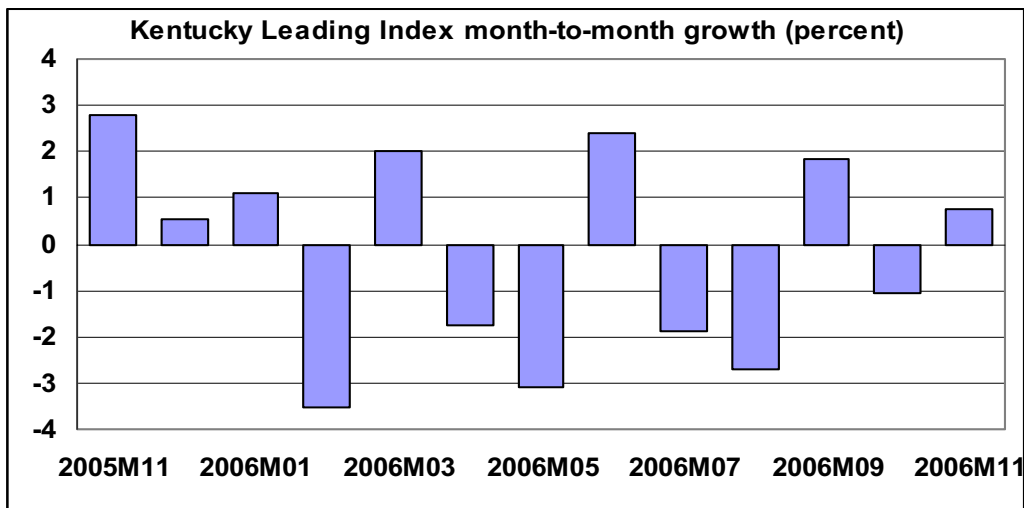
The Kentucky Leading Index increased slightly in November. The components were mixed with US Retail Sales being the largest mover with a 7.1 percent increase. Sales moved upward after consecutive declines in September and October. From August to October, Retail Sales had fallen a net \$3.0 billion. November's surge moved it to less than \$1 billion of the previous high in August. Businesses which performed above average and led in US Retail Sales same-month-to-same-month-last-year growth were electronics & appliance stores, nonstore retailers and health & personal care stores. November 2005 was also a strong month, making November 2006 results even more impressive.

The Kentucky Labor Intensity Index increased for the first time since June. Three of the five component sectors grew in seasonally adjusted terms. All changes were small, but fabricated metals employment was the largest mover with a net increase of 400 jobs. Transportation equipment and chemical products employment also increased in November. Employment and average weekly hours declined slightly in the rubber and plastics products sector. Average weekly hours in rubber and plastics products have been declining consistently for the last two years, approaching its pre-recession mean value of 40.0.

The Louisville Help Wanted Index has increased for the third consecutive month. The Help Wanted Index fell sharply during the 2001 recession and still has not made up a significant portion of its losses. The Index's last peak was in March of 2000 when it stood at 170 points. Following the 2001 recession, the index lost 78 percent of its value.

Kentucky non-farm employment has made modest gains over the last 13 months, increasing net employment by 11,600 jobs. Manufacturing employment was the biggest mover of the 11 subsectors, declining a net 7,200 jobs. Educational and health services employment was the largest positive mover, with a net increase of 4,800 jobs. Leisure and hospital-ity employment increased a net 4,200 jobs over the same period. Professional and business services employment also made a strong showing with a net 2,800 job improvement over November 2005. All services, not including government employment, increased a net 13,700 jobs. Private sector services make up approximately 63 percent of Kentucky non-farm employment. Government services make up approximately five percent of Kentucky non-farm employment. The remaining 32 percent of non-farm employment jobs are in goods-producing sectors. Kentucky's manufacturing intensity has declined considerably in the last 5 years. Just prior to the 2001 recession, manufacturing employment made up 17.1 percent of non-farm employment in Kentucky. In November 2006, manufacturing employment made up only 13.8 percent of total non-farm employment. Kentucky is still more manufacturing intensive than the US as a whole. US manufacturing employment makes up only 10.4 percent of total US non-farm employment, a number which has been dropping for the last three decades.

Our indices are compiled and published on a monthly basis, roughly two weeks following the Conference Board release of the U.S. Leading Index. A complete description of the Index of Leading Indicators and methodology was published in the University of Kentucky Center for Business and Economic Research *Kentucky Annual Economic Report, 2000*.



About the Indicators

Kentucky Reference Series

Inflation-adjusted personal income less transfer payments and policy-adjusted general fund tax receipts are combined to form the GOEA composite reference series.

Kentucky Leading Indicators

- **GOEA Labor Intensity Index:** Composed of seasonally adjusted weekly hours multiplied by employment for the following manufacturing industries: Lumber products, chemical and allied products, rubber and plastic products, fabricated metals, and transportation equipment.
- **GOEA Initial Unemployment Insurance (UI) Claims Index:** This index has two components: Kentucky claims in their first month of payment and total U.S. initial claims. Additional claims for UI are the subset of initial claims filed by workers who have previously filed UI claims but are currently filing new claims with intermittent workforce attachment since their original claim. The claims in their first month of payment without intermittent qualified experience performed better in the testing process and were chosen accordingly.
- **U.S. Manufacturing and Trade Sales:** This series outperformed Kentucky sales tax receipts and U.S. total retail sales. Current manufacturing and trade sales help form the basis for business expectations for the immediate short run. Since production and investment do not occur instantaneously, the formation of expectations (manifested through current manufacturing and trade sales) should slightly lead the business cycle.
- **U.S. Manufacturer's New Orders Index:** This index has two components: US Manufacturer's New Orders for Nondefense Capital Goods and US Manufacturer's New Orders for Consumer Goods and Materials. Separately these two series slightly missed one or two turning points in the official reference series. But together they preceded each turning point.
- **Louisville Help-Wanted Index:** The Conference Board computes an index of help-wanted advertisements for major regions across the United States; Louisville is the only city in Kentucky covered by the Conference Board.

Table Notes:

- 1) Growth rates are computed with precise numbers. Due to rounding, two observations may have the same reported value but still exhibit growth at a more precise level.
- 2) More information is available on our website, www.osbd.ky.gov

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**SELECTED KENTUCKY ECONOMIC INDICATORS
SEASONALLY ADJUSTED**

2005

2006

	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV
KY Leading Index (1992=100)	109.3	109.4	109.5	109.2	109.4	109.2	108.9	109.1	108.9	108.7	108.9	108.8	108.8
% Chg Previous Month SAAR	2.8	0.5	1.1	-3.5	2.0	-1.8	-3.1	2.4	-1.9	-2.7	1.8	-1.1	0.8
% Chg Same Month Last Year	1.2	1.1	1.3	0.8	1.0	0.7	0.5	0.4	0.3	-0.2	0.1	-0.3	-0.5
KY Leading Index Diffusion Index	63.3	60.0	66.7	60.0	63.3	56.7	53.3	56.7	50.0	53.3	50.0	53.3	60.0
KY Coincident Index (1992=100)	131.1	131.7	131.9	132.1	132.4	132.7	132.6	133.1	133.2	133.5	133.7	133.6	133.7
% Chg Previous Month SAAR	5.4	4.8	2.4	1.6	2.8	2.7	-0.5	4.5	0.5	2.9	1.4	-0.2	0.9
% Chg Same Month Last Year	2.0	1.3	2.1	2.0	2.3	2.4	2.1	2.2	2.1	3.1	2.8	2.3	2.0
KY Nonag Employment (000s)	1,833.9	1,836.0	1,838.5	1,836.7	1,839.6	1,843.4	1,845.7	1,849.4	1,843.9	1,850.7	1,851.0	1,844.8	1,845.5
% Chg Previous Month SAAR	0.3	1.4	1.6	-1.2	1.9	2.5	1.5	2.4	-3.5	4.5	0.2	-3.9	0.5
% Chg Same Month Last Year	1.5	1.4	1.6	1.2	1.3	1.2	1.2	1.3	1.2	1.1	1.0	0.6	0.6
KY Mfg Employment (000s)	262.7	262.0	261.8	261.9	261.0	260.8	260.3	260.5	254.9	258.3	258.0	254.9	255.5
% Chg Previous Month SAAR	-1.4	-3.2	-0.9	0.5	-4.0	-0.9	-2.3	0.9	-23.0	17.2	-1.4	-13.5	2.9
% Chg Same Month Last Year	-0.5	-0.5	-0.4	-0.3	-0.8	-1.0	-1.1	-1.0	-0.7	-1.4	-1.6	-3.1	-2.7
KY Private Services Employment (000s)	1,151.0	1,152.0	1,156.0	1,156.7	1,158.0	1,159.0	1,159.6	1,161.1	1,161.9	1,162.0	1,164.0	1,163.7	1,164.7
% Chg Previous Month SAAR	1.6	1.1	4.2	0.7	1.3	1.1	0.6	1.6	0.9	0.1	2.1	-0.3	1.0
% Chg Same Month Last Year	1.8	1.7	2.0	1.8	1.8	1.6	1.6	1.6	1.5	1.4	1.4	1.2	1.2
KY Unemployment Rate (%)	6.4	6.5	6.3	6.3	6.0	6.1	5.6	5.8	6.3	5.8	5.3	5.2	5.5
KY Index of Initial UI Claims	103.5	104.0	105.3	104.1	104.2	104.1	103.0	103.9	103.5	102.3	102.8	103.0	102.4
% Chg Previous Month SAAR	9.7	5.4	16.1	-13.0	1.6	-0.9	-12.6	11.6	-4.8	-13.2	6.2	2.9	-6.8
% Chg Same Month Last Year	0.8	0.7	2.6	0.7	1.0	0.9	0.4	0.7	0.3	-0.8	2.2	0.3	-1.1
KY Labor Intensity Index (1992=100)	105.0	104.9	105.2	105.1	105.2	105.0	105.0	105.1	105.0	105.0	104.8	104.8	104.8
% Chg Previous Month SAAR	-0.2	-0.8	2.4	-0.6	0.6	-1.6	-0.4	1.4	-1.5	0.0	-1.8	-0.6	0.9
% Chg Same Month Last Year	0.0	-0.1	0.1	0.0	0.0	-0.3	-0.1	0.1	0.1	0.0	-0.2	-0.3	-0.2
Louisville HWI (1992=100)	52.0	52.0	44.0	42.0	40.0	39.0	35.0	37.0	34.0	32.0	35.0	36.0	38.0
% Chg Previous Month SAAR	-36.4	0.0	-86.5	-42.8	-44.3	-26.2	-72.7	94.8	-63.7	-51.7	193.1	40.2	91.3
% Chg Same Month Last Year	23.8	26.8	4.8	2.4	0.0	2.6	-10.3	-9.8	-17.1	-30.4	-37.5	-33.3	-26.9
GF Total Tax Receipts (\$ mill)	631.1	836.3	681.4	508.0	598.0	756.5	705.2	808.7	578.7	553.1	834.7	630.1	630.7
% Chg Same Month Last Year	7.4	17.8	3.3	1.4	5.2	-6.4	34.2	9.5	0.8	-0.4	7.2	-0.4	-0.1
GF Sales & Use Receipts (\$ mill)	218.6	228.8	289.0	191.1	204.5	230.5	235.4	230.8	249.3	230.4	224.0	242.5	223.8
% Chg Same Month Last Year	8.7	5.1	6.5	8.4	2.2	2.8	8.9	5.1	4.6	6.0	-2.4	2.9	2.4
GF Income Tax Receipts (\$ mill)	234.0	254.3	220.9	199.1	171.4	340.2	213.1	259.5	228.6	227.4	281.8	248.4	242.6
% Chg Same Month Last Year	1.7	-1.8	-12.6	-14.0	-2.6	-17.8	-1.0	-2.6	-4.0	-9.3	1.4	-4.2	3.7

SELECTED U.S. ECONOMIC INDICATORS SEASONALLY ADJUSTED

2005

2006

	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV
US Leading Index (1996=100)	137.9	138.2	138.6	137.9	138.5	138.2	137.6	137.8	137.5	137.1	137.7	137.6	137.6
% Chg Previous Month SAAR	11.1	2.6	3.5	-5.9	5.3	-2.6	-5.1	1.8	-2.6	-3.4	5.4	-0.9	0.0
% Chg Same Month Last Year	2.6	2.1	2.5	1.8	2.7	2.4	1.6	0.9	0.7	0.3	1.5	0.7	-0.2
US Coincident Index (1996=100)	120.3	120.7	121.1	121.3	121.6	121.7	121.8	122.0	122.2	122.5	122.6	122.9	123.1
% Chg Previous Month SAAR	7.3	4.1	4.1	2.0	3.0	1.0	1.0	2.0	2.0	3.0	1.0	3.0	2.0
% Chg Same Month Last Year	2.3	1.5	2.4	2.4	2.7	2.5	2.4	2.3	2.2	3.2	2.8	2.8	2.3
US Non-Farm Employment (Mil.)	134.2	134.4	134.5	134.7	134.9	135.0	135.1	135.3	135.4	135.6	135.8	135.9	136.0
% Chg Previous Month SAAR	3.2	1.3	1.4	1.8	1.6	1.0	0.9	1.2	1.1	2.1	1.8	0.8	1.4
% Chg Same Month Last Year	1.5	1.5	1.6	1.5	1.5	1.4	1.4	1.4	1.3	1.4	1.5	1.5	1.4
US Manufacturing Employment (000s)	14,214	14,222	14,227	14,226	14,225	14,244	14,234	14,259	14,236	14,232	14,223	14,182	14,162
% Chg Previous Month SAAR	1.5	0.7	0.4	-0.1	-0.1	1.6	-0.8	2.1	-1.9	-0.3	-0.8	-3.4	-1.7
% Chg Same Month Last Year	-0.7	-0.5	-0.3	-0.4	-0.3	-0.1	-0.1	0.2	0.1	0.1	0.3	-0.1	-0.4
US Service-Providing Employment (Mil.)	112.0	112.1	112.2	112.4	112.5	112.6	112.7	112.8	113.0	113.2	113.4	113.5	113.7
% Chg Previous Month SAAR	2.9	1.4	1.1	1.7	1.8	0.8	1.2	1.1	1.5	2.4	2.3	1.6	2.1
% Chg Same Month Last Year	1.6	1.6	1.5	1.5	1.6	1.5	1.5	1.4	1.3	1.4	1.5	1.6	1.6
US Unemployment Rate (%)	5.0	4.9	4.7	4.8	4.7	4.7	4.6	4.6	4.8	4.7	4.6	4.4	4.5
US Manufacturer's New Orders Index (1996=100)	132.2	132.5	127.8	127.5	131.5	128.4	128.7	129.1	127.3	127.0	129.5	126.0	125.4
% Chg Previous Month SAAR	48.5	2.5	-35.2	-3.1	46.1	-25.3	2.5	3.9	-14.9	-3.2	26.0	-27.7	-5.4
% Chg Same Month Last Year	6.0	5.8	2.7	2.5	7.1	3.6	-0.7	-0.3	1.5	-2.2	2.3	-1.5	-5.1
US Initial Claims for UI (000s)	315.6	310.4	286.3	306.0	308.9	314.8	333.5	308.8	312.4	315.7	313.9	311.4	328.6
% Chg Previous Month SAAR	-57.5	-18.1	-62.1	122.2	12.0	25.5	99.9	-60.3	14.9	13.4	-6.6	-9.1	90.6
% Chg Same Month Last Year	-4.0	-4.6	-14.2	-5.1	-9.8	-4.2	-0.6	-4.7	-2.3	-0.5	-20.2	-8.1	4.1
US Industrial Production Index	108.2	109.1	109.1	109.4	110.0	110.9	110.9	111.9	112.3	112.5	112.2	112.1	112.0
% Chg Previous Month SAAR	14.1	10.5	-0.5	3.1	6.5	11.3	-0.8	11.2	4.9	2.3	-3.7	-1.0	-0.6
% Chg Same Month Last Year	3.4	3.6	3.3	3.0	3.6	4.5	4.0	4.3	4.7	4.6	6.0	4.7	3.5
US Personal Income Less Trans. (Bil. 2000 chained)	7,925.6	7,976.0	8,033.5	8,075.9	8,089.8	8,055.8	8,028.1	8,051.6	8,074.6	8,091.5	8,163.7	8,219.1	8,248.0
% Chg Previous Month SAAR	8.8	7.9	9.0	6.5	2.1	-4.9	-4.0	3.6	3.5	2.5	11.2	8.5	4.3
% Chg Same Month Last Year	2.7	-0.7	3.2	3.8	4.2	3.7	3.1	2.8	2.5	7.2	4.1	4.4	4.1
CPI, All Urban (1982-84=100)	197.8	197.7	199.0	199.1	199.8	201.0	201.9	202.3	203.2	203.7	202.7	201.7	201.7
% Chg Previous Month SAAR	-7.6	-0.6	8.2	0.6	4.3	7.5	5.5	2.4	5.5	3.0	-5.7	-5.8	0.0
% Chg Same Month Last Year	3.5	3.4	4.0	3.6	3.4	3.6	4.1	4.3	4.2	3.8	2.1	1.3	2.0
US Retail Sales (\$Billions)	350.5	351.0	361.7	358.7	361.2	363.6	364.3	362.4	367.4	367.5	365.3	364.5	366.6
% Chg Previous Month SAAR	8.5	2.0	43.5	-9.7	8.7	8.3	2.4	-6.1	17.8	0.2	-6.9	-2.5	7.1
% Chg Same Month Last Year	7.0	5.7	9.4	7.4	8.0	7.0	7.6	5.3	4.8	6.3	5.5	4.7	4.6
US Consumer Expectations (1966=100)	69.6	80.2	78.9	74.5	76.0	73.4	68.2	72.0	72.5	68.0	78.2	84.8	83.2
% Chg Previous Month AR	218.2	448.0	-17.8	-49.8	27.0	-34.1	-58.6	91.7	8.7	-53.6	435.0	164.4	-20.4
% Chg Same Month Last Year	-18.3	-11.8	-7.9	-11.7	-8.2	-4.7	-9.4	-15.3	-15.2	-11.6	23.5	34.2	19.5
Ave. Prime Interest Rate (%; NSA)	7.00	7.15	7.26	7.50	7.53	7.75	7.93	8.02	8.25	8.25	8.25	8.25	8.25